

Message Text

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20

ORIGIN EA-10

INFO OCT-01 NEA-09 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 DODE-00 PA-01 USIA-06 PRS-01 IO-10 H-02

/108 R

DRAFTED BY EA/K:PMAYHEW:CHG

APPROVED BY EA - MR.HABIB

EXIM:RPRICE (PARA 3B)

AID:RTAYLOR (PARA 3D)

NEA/ARP:SBUCK (PARA 3E)

EB/ORF/FFD :RSERVICE (PARA 3A)

EB/ODF:NRIGG (PARA 3C)

AGRIC:AMEADE (PARA 3A)

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R 250136Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

AMEMBASSY JIDDA

C O N F I D E N T I A L STATE 095757

E.O. 11652: GDS

TAGS: EFIN, ETRD, KS

SUBJECT: KOREAN BALANCE OF PAYMENTS PROBLEMS

REF: SEOUL 2528

HONG KONG FOR REGFINATT

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1. APPRECIATE INFORMATIVE ANALYSIS REFTEL. FROM TALKS HERE
WITH U.S. BANKERS, WE AGREE WITH JUDGMENT PARA 8 REFTEL
THAT FOREIGN LENDER CONFIDENCE KEY FACTOR. IN GENERAL,
U.S. BANKERS, WHILE CAUTIOUS ON NEW COMMITMENTS AND QUITE

CONCERNED OVER BOP SITUATION, THUS FAR REMAIN WILLING
MAKE SELECTIVE COMMITMENTS TO KOREAN BORROWERS BASED ON
ROK'S RECORD OF SUCCESS AND GOOD ECONOMIC MANAGEMENT.

2. IN REGARD POSSIBILITIES MIDDLE EASTERN LOANS, US
BANKERS SEEM TO FEEL THAT ARAB OPEC COUNTRIES MUST EVEN-
TUALLY BEGIN TO LOAN TO MORE ADVANCED LDCS AS MATTER OF
SELF-INTEREST, BUT THAT FEW SIGNS OF SUCH LOANS VISIBLE
THUS FAR. AS EMBASSY NOTES, ROK LIKELY FOR TIME BEING
TO HAVE TO SQUEAK THROUGH WITH ASSISTANCE ALREADY
IDENTIFIED.

3. IN REGARD EMBASSY RECOMMENDATIONS PARA 9 REFTEL:

(A) PL 480.

CONGRESSIONAL PRESENTATION DOCUMENT FOR PL 480 INCLUDING
\$100 MILLION FOR KOREA IN FY 76 IS NOW
BEFORE SECRETARY FOR DECISION. BECAUSE OF CONGRESSIONAL
CONSIDERATIONS, COMMODITY AVAILABILITY, AND PRICE LEVELS,
WE 'ANNOT PREDICT ULTIMATE LEVEL OF PROGRAM OR HOW MUCH
MIGHT BE AVAILABLE IN SECOND HALF CY 75, BUT WE WILL MAKE
EFFORTS SECURE MAXIMUM (PROPOSED CP ALLOCATION FYI ONLY
UNTIL APPROVED.)

(B) EXIM.

BANK INFORMS US ONLY TWO APPLICATIONS (ASIDE FROM KORI II)
PENDING. THESE ARE SEOUL NATIONAL UNIVERSITY HOSPITAL,
AND KOREA BROADCASTING LOANS.

SNU LOAN LIKELY BE ACTED IN FEW DAYS. BANK HAS IMPRESSION ROKG
HOLDING OFF ON APPLICATIONS FOR OTHER PROJECTS ON DOLS 775 MIL
LIST DISCUSSED WITH EXIM PRESIDENT CASEY TO REVIEW ITS
NEEDS AND PRIORITIES. BANK'S EXPOSURE PROBLEM IN KOREA
REMAINS, BUT IT PREPARED TO CONSIDER FURTHER APPLICATIONS.

(C) IMF CREDITS.

IMF HAS SET \$194.6 MILLION IN SDR (1 SDR EQUALS \$1.2)
AS KOREAN QUOTA UNDER 1975 OIL FACILITY. UNTIL FINAL
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APPROVAL OF FACILITY ALLOCATIONS IN JUNE, INDIVIDUAL
COUNTRIES WILL BE ALLOWED DRAW UP TO 30 PER CENT OF
PLANNED QUOTA. THERE HAVE NOT AS YET BEEN ANY COUNTRY
DRAWINGS AGAINST 1975 FACILITY. AS EMBASSY AWARE, DISCUS-
SIONS OF ROK ELIGIBILITY FOR EXTENDED FUND ASSISTANCE
STILL IN EXPLORATORY STAGE. WE WILL SUPPORT ROKG WITH
IMF AS APPROPRIATE.

(D) USG GUARANTEES OF BANK BORROWING.

AID HAD HOPED IN 1976 TO REQUEST LEGISLATIVE APPROVAL FOR
AUTHORITY TO EXTEND GUARANTEES TO BONDS ISSUED BY
SELECTED LDCS IN U.S. CAPITAL MARKET. HOWEVER, SOME
EXECUTIVE AGENCIES RECOMMENDED POSTPONEMENT THIS REQUEST

BECAUSE OF CURRENT ECONOMIC CONDITIONS, AND SOUNDINGS
ON HILL ALSO INDICATED POOR TIMING. REQUEST HAS THUS
BEEN POSTPONED

(E) POSSIBLE APPROACHES TO MIDDLE EASTERN LENDERS
WE SEE NO OBJECTION IN PRINCIPLE TO LOW KEY CONFIDENTIAL
APPROACHES BY USG TO SELECTED ME LENDERS IN SUPPORT OF
ROKG LOAN REQUESTS. HOWEVER, INITIAL SPADEWORK WOULD
HAVE TO BE ACCOMPLISHED BY ROKG ITSELF AND CLOSE COORDINA-
TION WOULD BE NECESSARY WITH ROKG TO MAKE ANY APPROACH

USEFUL. FOR EXAMPLE, IN CASE REQUEST OF ROKG TO SAUDIS
FOR \$200-\$300 MILLION LOAN, WE WOULD BE WILLING MAKE
APPROACH SOME TIME AFTER KOREANS HAVE MADE SUCCINCT
AND CAREFULLY CONSIDERED PRESENTATION AND SAUDIS HAVE
HAD TIME TO CONSIDER REQUEST. YOU MAY INFORM ROKG WE
WOULD BE WILLING MAKE APPROACHES ALONG LINES ABOVE IF
THEY FEEL IT WOULD BE USEFUL. YOU MAY ALSO SUGGEST
THAT U.S. EMBASSIES IN SAUDI ARABIA, AND OTHER M.E.
COUNTRIES, COULD OFFER ASSISTANCE ON HOW BEST TO APPROACH
POTENTIAL M.E. LENDERS. FOR YOUR BACKGROUND, WE ARE
REPEATING CABLE ON KUWAIT INVESTMENT POLICY.

(F) CONSULTATIVE GROUP MEETING.
AGREE WITH YOUR RECOMMENDATION.

KISSINGER

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<< END OF DOCUMENT >>

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